

Department of Social and Health Services

**DP Code/Title: M2-9N Contractual Obligation Adj**  
**Program Level - 080 Medical Assistance**

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Budget Period: 2003-05    Version: 11    2003-05 Agency Request Budget

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**Recommendation Summary Text:**

This request is for funding for the Payment Review Program (PRP) to support its contract amendment which enables the department to analyze and run algorithms on Social Service Payment System (SSPS) data in an effort to find and minimize fraud and billing errors, as well as identify, recover, and prevent inappropriate provider payments.

**Fiscal Detail:**

**Operating Expenditures**

|   | <b><u>FY 1</u></b> | <b><u>FY 2</u></b> | <b><u>Total</u></b> |
|---|--------------------|--------------------|---------------------|
| <b>Program 080</b>                                      |                    |                    |                     |
| 001-1 General Fund - Basic Account-State                | 96,000             | 96,000             | 192,000             |
| 001-C General Fund - Basic Account-DSHS Medicaid Federa | 288,000            | 288,000            | 576,000             |
| <b>Total Cost</b>                                       | <b>384,000</b>     | <b>384,000</b>     | <b>768,000</b>      |

**Staffing**

**Package Description:**

The PRP is a Department of Social and Health Services (DSHS) program that utilizes advanced technological tools and software to detect, recover, and prevent inappropriate provider billings, and improve fraud, abuse, and waste detection activities across multiple DSHS payment systems.

During the first two years of program operation, three years of Medicaid Management Information System (MMIS) data was loaded onto a data warehouse and system software was used to analyze. These efforts resulted in the identification of \$4.8 million in provider overpayments referred for collection. In addition, the PRP has also documented \$2.3 million in cost avoidance due to policy changes and the addition of MMIS system edits/audits. The PRP has identified an additional \$2.1 million in potential cost avoidance pending edits to the MMIS system and making necessary policy changes to prevent inappropriate billings in the future.

In Fiscal Year 2002, the PRP amended its vendor contract to purchase services to load three years of SSPS data onto the existing data warehouse. Loading the SSPS data was necessary because the data in its previous form was too complex to efficiently analyze. This initial load was accomplished using existing funding in the PRP budget.

SSPS generates payments of approximately \$1 billion a year in social service payments for numerous DSHS administrations. DSHS has never had the technological tools to effectively analyze the SSPS payment data. Funding this request will enable the PRP to analyze and run algorithms against the SSPS data. This will include payment data for numerous DSHS administrations including Economic Services Administration, Aging and Adult Services Administration, and Health and Rehabilitative Services Administration. Savings were assumed for SSPS-paid services in the Aging and Adult Services Administration, Division of Developmental Disabilities, and Children's Administration budgets in the 2001-03 Biennium and these savings were carried forward in the 2003-05 Biennium. The contract amendment funded under this proposal is necessary to realize the assumed savings. In addition, the data warehouse and software will make SSPS data available to program staff for analysis and management information.

**Narrative Justification and Impact Statement**

***How contributes to strategic plan:***

PRP activities are included on the DSHS Balanced Scorecard, Public Trust.

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***Performance Measure Detail***

**Goal:**

**Incremental Changes**  
**FY 1                      FY 2**

***Reason for change:***

SSPS is a large and complex data set. The addition of the data to the existing data warehouse will increase the efficiency of data analysis and will enable DSHS to identify, recover, and prevent inappropriate provider payments. The contract amendment covers the monthly loading of SSPS data, ongoing maintenance, as well as utilizing contracted Automatic Data Processing (ADP) professionals to run algorithms and assist DSHS staff in analyzing the SSPS data comprehensively for the first time.

***Impact on clients and services:***

Funding of this request will provide DSHS the means to efficiently manipulate and analyze the SSPS data in an effort to recover overpayments made to providers. Overpayments that are recovered are returned to the appropriate DSHS budget to ultimately assist in assuring ongoing services to clients.

***Impact on other state programs:***

Analysis of the SSPS data set may result in an increase in the number of cases identified that will require further investigation either by program areas or the Division of Fraud Investigations.

***Relationship to capital budget:***

None

***Required changes to existing RCW, WAC, contract, or plan:***

No revisions to existing RCW, WAC, or state plans are required. A contract amendment with the PRP vendor was executed in Fiscal Year 2002.

***Alternatives explored by agency:***

The PRP considered the option of analyzing the SSPS data internally with a data analyst working on a desktop. However, this method has proven unsuccessful in the past due to the size and complexity of the data set. The existing system will be able to process three years of SSPS data efficiently and effectively and pinpoint areas of inappropriate payments in the data.

The PRP considered the option of not analyzing the SSPS data, but contends that it is the department's duty as a steward of public funds to gauge the instances of inappropriate payments in social services as is done for healthcare services. The PRP and other DSHS administrations believe there is a large potential to detect and recover inappropriate payments in SSPS as well as making changes to existing policies so future inappropriate payments are prevented.

***Budget impacts in future biennia:***

Funding would continue into future biennia at \$384,000 per fiscal year.

***Distinction between one-time and ongoing costs:***

All costs are ongoing.

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***Effects of non-funding:***

Non-funding may result in substantial loss of inappropriately paid social service dollars because DSHS would not have the capability of analyzing the SSPS data. The PRP may not be able to meet savings expectations for Fiscal Year 2003 without the ability to identify, recover, and prevent inappropriate payments in the SSPS data.

If fraud, abuse, and waste in SSPS are not defined and controlled, the department may inappropriately reimburse providers for social services to clients.

***Expenditure Calculations and Assumptions:***

To fulfill contractual obligations for the 2003-05 Biennium, the PRP requests \$384,000 each fiscal year for the following:

1. Monthly SSPS data loads and maintenance at \$12,000 per month for a total of \$144,000 per year.
2. Ongoing maintenance of the system and necessary user training at \$3,000 per month for a total of \$36,000 per year.
3. ADP professionals to program, develop, and maintain the algorithms at \$17,000 per month for a total of \$204,000 per year.

Object E - Purchased Service-FADS Contractor Costs 75 percent FFP

| <b><u>Object Detail</u></b> | <b><u>FY 1</u></b> | <b><u>FY 2</u></b> | <b><u>Total</u></b> |
|-----------------------------|--------------------|--------------------|---------------------|
| <b>Program 080 Objects</b>  |                    |                    |                     |
| E Goods And Services        | 384,000            | 384,000            | 768,000             |

**DSHS Source Code Detail**

| <b>Program 080</b>   |                       | <b><u>FY 1</u></b> | <b><u>FY 2</u></b> | <b><u>Total</u></b> |
|--|-----------------------|--------------------|--------------------|---------------------|
| <b>Fund 001-1, General Fund - Basic Account-State</b>                |                       |                    |                    |                     |
| <b><u>Sources</u></b>  | <b><u>Title</u></b>   |                    |                    |                     |
| 0011   | General Fund State    | 96,000             | 96,000             | 192,000             |
| <b>Total for Fund 001-1</b>  |                       | <b>96,000</b>      | <b>96,000</b>      | <b>192,000</b>      |
| <b>Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa</b> |                       |                    |                    |                     |
| <b><u>Sources</u></b>  | <b><u>Title</u></b>   |                    |                    |                     |
| 19UL   | Title XIX Admin (50%) | 288,000            | 288,000            | 576,000             |
| <b>Total for Fund 001-C</b>  |                       | <b>288,000</b>     | <b>288,000</b>     | <b>576,000</b>      |
| <b>Total Program 080</b>   |                       | <b>384,000</b>     | <b>384,000</b>     | <b>768,000</b>      |